

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 XMB-02 CIAE-00 INR-07 NSAE-00

MC-02 TRSE-00 SSO-00 INRE-00 L-03 FAA-00 DOTE-00 /034 W

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC IMMEDIATE 2420

INFO USDOC WASHDC

AMEMBASSY ROME IMMEDIATE

FAA BRUSSELS

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EXIMBANK FOR TUTINO

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ROME FOR RCAA

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TAGS: BEXP, BENC, EAIR, EFIN, GR

SUBJECT: OLYMPIC PURCHASE OF NEW TWINJET AIRCRAFT

REF: (A) ATHENS 757 (B) ATHENS 709

SUMMARY: ACTING ON GOG INSTRUCTIONS, THE AIRCRAFT EVALUATION COMMITTEE INVITED THE THREE CONTENDING AIRCRAFT MANUFACTURERS TO A MEETING AT OLYMPIC HEADQUARTERS LAST NIGHT TO BRIEF THEM ON THE METHODOLOGY EMPLOYED AND THE RESULTS OBTAINED BY THE COMMITTEE. THE BOEING 737 CAME OUT FAR AHEAD ON ALMOST ALL COUNTS. AT THE CLOSE OF THE SESSION, THE LEADER OF THE BAC DELEGATION STATED THAT THE UK AMBASSADOR HAD RECEIVED ASSURANCES FROM COORDINATION MINISTER PAPALIGOURAS THAT BAC AND OTHER MANUFACTURERS WOULD HAVE TIME TO TRANSLATE, STUDY, AND REPLY TO COMMITTEE'S STUDY, AND THAT BAC WOULD REQUIRE AT LEAST SEVEN DAYS TO ACCOMPLISH THIS. THUS, BY CREATING ADDITIONAL DELAY, IT APPEARS THAT BAC IS CONTINUING TO PURSUE

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ITS CASE AT OTHER LEVELS. END SUMMARY

1. AT A SESSION CHARACTERIZED BY THE CHAIRMAN OF THE AIRCRAFT EVALUATION COMMITTEE, ELIAS DEROS, AS MOST UNUSUAL, THE THREE MANUFACTURERS CONTENDING FOR THE SALE OF FINE NEW TWINJETS TO OLYMPIC AIRWAYS WERE BRIEFED ON THE METHOD FOLLOWED BY THE COMMITTEE IN REACHING ITS CONCLUSION IN FAVOR OF THE BOEING 737. EARLIER IN THE DAY, THE COMMITTEE HAD SENT A COPY OF ITS COMPLETED STUDY TO REPRESENTATIVES OF EACH OF THE THREE MANUFACTURERS. EMBASSY REPRESENTATIVES ALSO ATTENDED. GENERAL ELIAS DEROS, CHAIRMAN OF THE COMMITTEE, OUTLINED THE FOLLOWING METHODOLOGY EMPLOYED BY THE COMMITTEE:

2. SOURCES OF INFORMATION:

- A) OLYMPIC'S OWN STUDY OF REQUIREMENTS UNTIL 1980;
- B) OFFERS BY THE MANUFACTURERS SUBMITTED UP UNTIL DECEMBER 10. 1975;
- C) A QUESTIONNAIRE SENT BY THE COMMITTEE TO THE MANUFACTURERS;
- D) THE OFFICIAL FLIGHT MANUALS OF THE THREE CONTENDING AIRCRAFT;
- E) INTERNATIONAL STATISTICS ON THE OPERATIONS OF THE THREE AIRCRAFT;
- F) THE DEMONSTRATION FLIHTS AND MANUFACTURERS BRIEFINGS.

3. CRITERIA:

- A) ECONOMIC PROPOSALS OF MANUFACTURERS;
- B) FINANCING TERMS;
- C) TIME OF DELIVERY;
- D) COST OF UTILIZATION PER HOUR:
 - 1) PER HOUR COST OF FUEL AND LUBRICANTS
 - 2) PER HOUR COST OF SERVICING
 - 3) PER HOUR COST OF LANDING AND OVERFLIGHT FEES
 - 4) PER HOUR COST OF CREWS
 - 5) PER HOUR COST OF INSURANCE
 - 6) PER HOUR COST OF MAINTENANCE
 - 7) PER HOUR COST OF AMORTIZATION, INTEREST, ETC.
- E) STANDARDIZATION OF FLIGHT EQUIPMENT;
- F) PHYSICAL CHARACTERISTICS OF AIRCRAFT IN RELATION LIMITED OFFICIAL USE

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TO LENGTHS AND STRENGTHS OF GREEK AIRPORTS;

- G) FLIGHT AND OPERATIONAL CHARACTERISTICS;
- H) OTHER TECHNICAL CHARACTERISTICS;
- I) COMFORT;
- J) ABILITY OF AIRCRAFT TO FILL SPECIAL NATIONAL NEEDS.

4. ASSUMPTIONS:

- A) BASIC NEED OF OLYMPIC FOR FIVE TWINJETS IN

120-SEAT RANGE FOR DOMESTIC AND FOREIGN USE, AND TO
GRADUALLY REQWA REPEAT REPLACE YS-11'S;
B) AIRCRAFT TO BEGIN SERVICE IN JUNE 1976;
C) DATA TO BE AVERAGED OUT OVER PROSPECTIVE TEN YEAR
OPERATING LIFE;
D) 8 PERCENT INTEREST RATE IN ALL CASES;
E) 20 PERCENT ADDED TO COST FOR SPARES IN CASE OF
BAC-111 AND DC-9, ONLY 15 PERCENT FOR BOEING 737 BECAUSE
OF COMMONALITY WITH PRESENT BOEING FLEET;
F) NECESSITY FOR THREE SPARE ENGINES IN CASE OF
BOEING 737 AND DC-9, FOR FIVE SPARE ENGINES IN CASE OF
BAC 111;
G) 2,200 HOUR UTILIZATION PER YEAR.

5. RESULTS OF STUDY:

A) COST OF WRITE-OFF (IN DOLLARS PER HOUR OF UTILIZATION):

BAC 111	678.82
DC 9	655.77
737	555.96

B) DIRECT COST OF OPERATION (IN DOLLARS PER HOUR OF
UTILIZATION:

DC-9	1,530.11
BAC 111	1,487.54
737	1,387.70

C) COST PER SEAT (IN DOLLARS PER HOUR OF UTILIZATION):

DC-9	11.77
737	12.19
111	15.82

NOTE: IN ARRIVING AT THIS FIGURE, CONFIGURATION OF
AIRCRAFT ASSUMED TO BE AS FOLLOWS: DC-9, 130 SEATS;
737, 114 SEATS; BAC-111, 94 SEATS.

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D) COST PER AVAILABLE SEAT - BASED ON LOAD FACTORS
ESTIMATED IN OLYMPIC STUDY THROUGH 1980 (IN DOLLARS PER
HOUR OF UTILIZATION):

BAC 111	23.58
DC-9	22.04
737	20.65

NOTE: AFTER 1978, BAC 111'S UTILIZATION WOULD HAVE TO
INCREASE BEYOND ASSUMED 2,200 HOURS ANNUALLY IN ORDER TO
COPE WITH ANTICIPATED TRAFFIC.

E) REVENUES (IN DOLLARS PER HOUR OF UTILIZATION):

737	645.37
DC-9	573.89
111	422.47

F) PROFIT ANTICIPATED FROM USE OF 737: 11.7 PERCENT
OVER DC-9 AND 34.6 PERCENT OVER BAC 111.

6. OTHER FACTORS:

A) ASSUMING AIRSTRIPE OF 5,000 FEET AT TEMPERATURE OF
35 DEGREE C OR BELOW, FOLLOWING TAKE OFF WEIGHTS INDICATED:

BAC-111	21,400 LBS
DC-9	31,600 LBS
737	33,600 LBS

B) CONSIDERING THAT THE NATIONAL CARRIER CONSTITUTES
A RESERVE AT THE DISPOSAL OF THE ARMED FORCES, THE BOEING
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WAS FOUND SUPERIOR IN FILLING THIS MISSION.

7. FOLLOWING THIS PRESENTATION, SIR GEOFFREY TUTTLE,
LEADER OF THE BAC DELEGATION, STATED THAT U.K. AMBASSADOR
HAD THAT MORNING HAD CONVERSATION WITH PAPALIGOURAS,
MINISTER OF COORDINATION, IN WHICH PAPALIGOURAS ASSURED
HIS AMBASSADOR THAT BAC AND OTHER MANUFACTURERS WOULD
HAVE TIME TO TRANSLATE, STUDY, AND REPLY TO COMMITTEE'S
STUDY. SIR GEOFFREY STATED THAT THIS WOULD REQUIRE AT
LEAST SEVEN DAYS ON THE PART OF BAC. HE THEN ASKED FOR COPIES
OF THE ANNEXES TO THE REPORT.

8. GENERAL DEROS SAID THAT ANNEX ONE, CONSISTING OF
EXPLANATORY NOTES, SHOULD BE MADE AVAILABLE IMMEDIATELY,
BUT THAT HE WOULD RECOMMEND AGAINST RELEASE OF THE REMAINING
ANNEXES, WHICH CONSISTED OF THE MANUFACTURER'S OFFERS.
THESE CONTAINED COMPETITIVE INFORMATION AND WERE SUBMITTED

IN CONFIDENCE.

9. MCDONNELL DOUGLAS CHIEF REPRESENTATIVE WALKER, VICE PRESIDENT IN CHARGE OF COMMERCIAL SALES, STATED THAT HE HAD PREPARED A REPLY TO THE COMMITTEE'S STUDY IN WRITING, AND WISHED TO PRESENT IT TO THE COMMITTEE. GENERAL DEROS DECLINED TO ACCEPT, STATING THAT THE COMMITTEE'S FUNCTION HAD OFFICIALLY CEASED WITH THE COMPLETION OF THE REPORT. HE SUGGESTED THAT THE REPLY BE SENT DIRECTLY TO THE GOG.

10. THE LOCAL REPRESENTATIVE FOR BOEING, KOSTAS KARAYANNIS, REQUESTED THAT ANNEXES TO THE REPORT OTHER THAN ANNEX 1 NOT BE RELEASED. (THE EMBASSY LATER LEARNED THAT FOLLOWING THIS SESSION, THE COMMITTEE MET WITH MINISTER OF TRANSPORT VOYATZIS AND ASKED HIM NOT TO RELEASE THESE ANNEXES. ON THE OTHER HAND, THE EMBASSY HAS LEARNED OF PRESSURE BY BAC TO RELEASE THESE ANNEXES CONTINUING TODAY.)

11. THE SESSION THEN ENDED WITH NO FURTHER DISCUSSION.

12. COMMENT: IT IS QUITE CLEAR THAT THE CHIEF BAC TATIC WILL BE TO CREATE DELAY. THE REQUEST FOR AN ADDITIONAL SEVEN DAYS (REPORTED AS TEN IN THIS MORNING'S PRESS) ALREADY JEOPARDIZES BOEING'S OFFER OF TWO PLANES TO BE LIMITED OFFICIAL USE

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DELIVERED IN JUNE 1976. IN ADDITION, BAC'S DISDAINING ANY DISCUSSION OF THE COMMITTEE'S FINDINGS DURING THIS SESSION IS A CLEAR SIGNAL THAT, ALTHOUGH THEY APPEAR TO HAVE LOST THEIR CASE ON TECHNICAL GROUNDS, THEY ARE PULLING ALL THE STOPS TO PREVENT A FINAL DECISION ADVERSE TO THEM.

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